efense Contract Management Command

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Technical Operations in Transition- DCMC Meeting The Challenge

CONTRACT TECHNICAL OPERATIONS

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DISTRICT REPRESENTATIVES

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DCMDW
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- > WHAT'S HOT NOW!!
 - > NEW ONE BOOK CHAPTERS
 - >QUALITY ASSURANCE
 - >PRODUCTION MANAGEMENT
 - **CONTRACTOR RISK MANAGEMENT**
 - > RE-ENGINEERING
 - **>DD 250**
 - >QA TECHNICAL DEVELOPMENT
 - > SMALL \$\$\$
 - > RE-DEFINING ENGINEERING ROLE



NEW ONEBOOK CHAPTERS

- > QUALITY ASSURANCE
 - >CoC
 - > Risk Management
 - > Attachments
 - > Commercial Contracts
 - > Handling of into plane jet fuel samples
 - >Vessels carrying DESC cargoes
 - **≻Changes**
 - >CAO decision on signing DD 250
 - Key processes (critical)
 - **≻CoC** shall be used





NEW ONEBOOK CHAPTERS

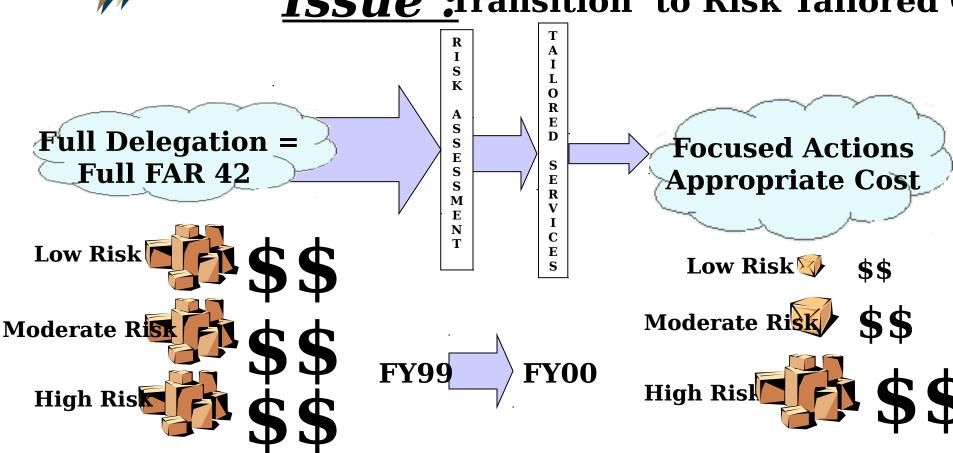
- PRODUCTION MANAGEMENT
 - > Emphasis on risk based surveillance
 - Contract vs contract surveillance
 - Primary objective of influencing performance
 - ➤ "Surveillance shall not be reduced to only transmitting delivery data to buying activities without engaging the contractor in delivery performance improvement effort"
- > CONTRACTOR RISK MANAGEMENT
 - **Consolidate 15 ONEBOOK Chapters FY 99**
 - **≻Incorporate PBAM FY 99**
 - **→ Designing Database FY 00**

Defense Contract Management Command



Technical Operations in Transiti DCMC Meeting The Challenge

Issue Transition to Risk Tailored



Impact - Reluctance to Disengage - Comfort with Ris



Improving Delivery Performance - What's the Initial Data Telling Us

- > Identifies high risk contractors
- > Large variation in performance at similar CAOs
- Suggests DCMC practices at local level can influence delivery performance
- Working on identifying best practices at top CAOs

Improving Delivery Performance-"How Do We Influence?"

- Formally requesting corrective action
- > Escalate issues to management councils
- Identify root causes through process analysis
- Maintain accurate historical performance data



Alerts Phase II-Release in Summer 1999

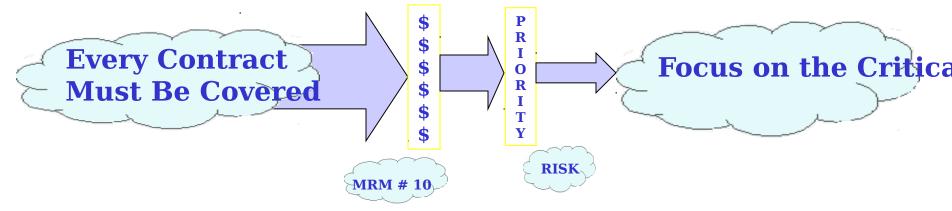
- Provide web based access for customers
- Streamlined (less inputs) processing
- Access data from Shared Data Warehouse (SDW)

We need you to ensure quality by ensuring delay notices:

- Clearly describe the reason(s) for the delay
- > Include forecasted recovery dates
- Lists actions taken to reduce the delays

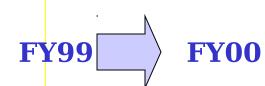


ACCELERATE ACQUISITION REFORM BY APPLYING COMMERCIAL PRACTICES



Action: From Everything to the Meaningful

- COMMERCIAL ITEM
- SMALL DOLLAR
- LOW RISK
- HIGH RISK
- ETC., ETC., ETC.



- HIGH RISK
- READINESS
- MANDATORY

Impact - Will Range From Negligible to Profo



"Streamline the acceptance process and move to a paperless environment"

Accomplishments

- **★** Comprehensive, Multi-service/Agency Review Completed
- Developed 14 Recommendations to streamline and make paperless, i.e.
 - Payment Without Invoice on Recurring Charges-May be removed
 - Contractor EDI Capability
 - Invoice and MIRR into a Single Electronic Document

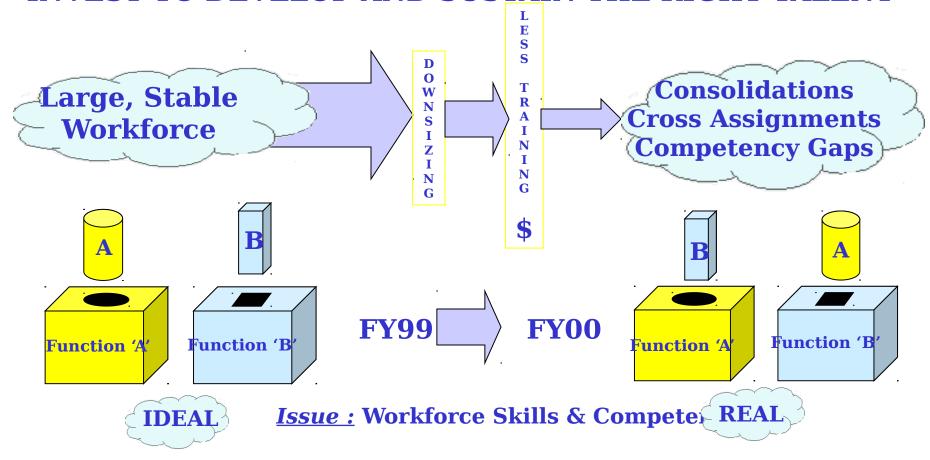
Met Objectives: Yes (report in final coordination)

Future Actions

- Resolve additional issues and release final report
- ✓ Paperless Contracting IPT to oversee implementation



INVEST TO DEVELOP AND SUSTAIN THE RIGHT TALENT



Impact - Increasing Challenge for Multifunction



OTHER TECHNICAL STUFF

- > COMPETENCY BASED TRAINING NEEDS
 - ➤ID functional processes (i.e., driving training cost)
 - ➤ID Knowledge Skills & Abilities to accomplish processes
 - > Select alternate methods of obtaining KSAs
- > MILESTONE
 - **> Quality Assurance FY 98 & 99**
 - **Production, Contracts, Engineering, EVMS FY**99

ttom line: New ONEBOOK Chapter(s) will replace DLAI,DLAD,DLAM 8220

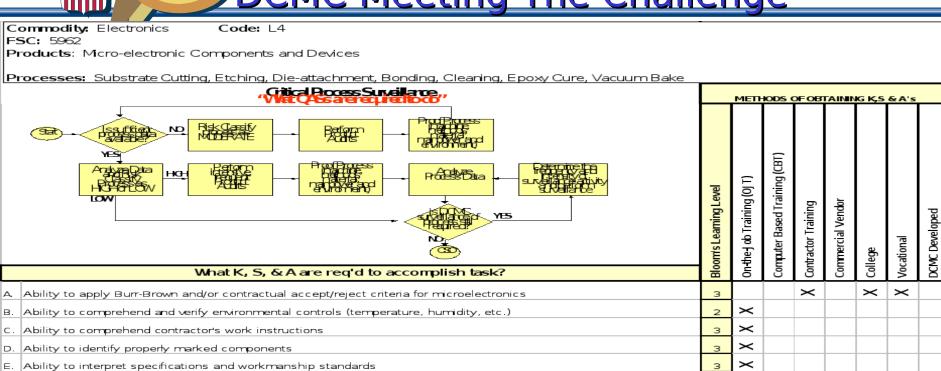
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G. Ability to pass visual acuity test

M. Ability to verify proper etching

P. Knowledge of calibration practices Knowledge of cleaning requirements

Technical Operations in Transition -DCMC Meeting The Challenge



F. Ability to interpret test gauge indications (multimeter, oscilloscope, etc.)

H. Ability to read/comprehend test procedures Ability to use inspection devices (microscope/borescope)

Ability to verify compliance to die-attachment requirements

K. Ability to verify compliance to secure bond requirements

O. Ability to verify test results (leak, bond pull, functional and laminate)

R. Knowledge of Electronic Components to assure technical requirements

Ability to verify hole size and location requirements

Ability to verify proper performance of circuitry

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ENGINEERING

- > FROM REACTIVE TO PROACTIVE
 - Reluctance to Change
 - > Lack of Knowledge of Expectations
- Customer Expectations
 - More Analysis of Contractor Processes
- Meeting the Challenges
 - Performance Base Contracting
 - Risk Management
 - > AR Initiatives



AREA OF FOCUS

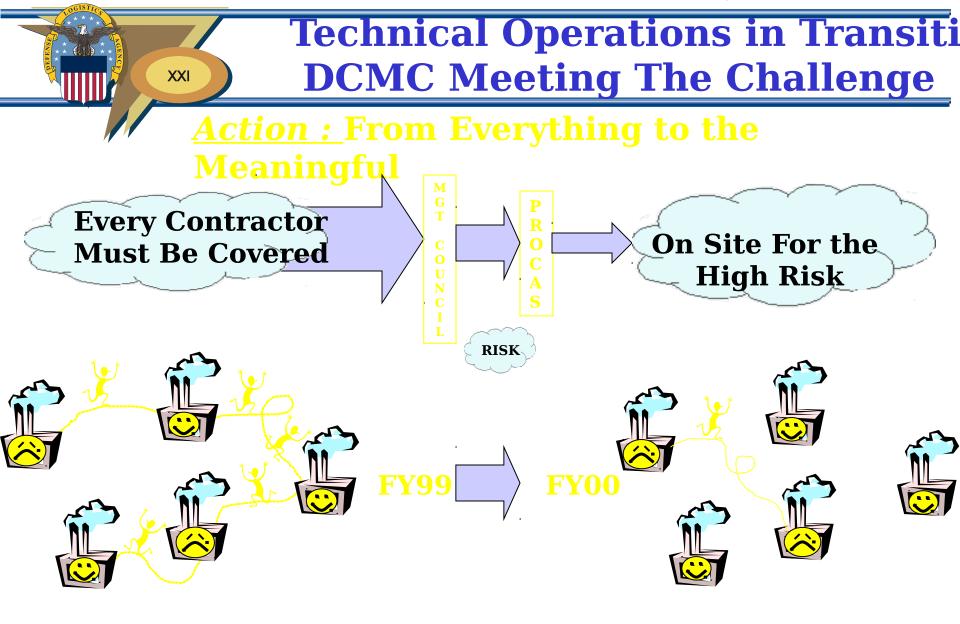
- Predictive Data Analysis
 - > Technical Performance Measures & EVMS
- Contractor Risk Based Oversight
- Program Integration/Management Focus
- > Lean Concepts and Best Practices
 - > Total Cost Of Ownership
- Model Based Surveillance And Acquisition
- Performance-based Requirements And Contracts



SOFTWARE CENTER

- Move to Optimize Operations
- Baseline Review Using CMM Concept
 - Developing Roadmap for CAO Performance Improvement
 - Six Pilot Sites
 - Kick off April 99
 - Command Wide Strategy June 99





Impact - Resource Balancing to FTE Ceilings Will Be





Perceptions

- > Too many small dollar contracts
- Corporate contracts have increased the volume of small dollar contracts
- MRM #10 is driving down the number of contracts
- DCMC doesn't want to do GSI
- DFAS Columbus invoice payments too high
- Increased DCMC costs for contracts paid from SAMMS
- Small dollar contracts have too many pages
- DCMC abandoning customer



Too Many Small Dollar Contracts

- DCMC administered small dollar contracts (< \$2,500)</p>
 - > Approximately 144,000 such contracts
 - Approximately 41% of DCMC's total contracts

(But not 41% of workload!)

- Several DCMC organizations appear to be reliant on small dollar contracts
- > Is 144,000 too many? Don't know yet!
- DCMC looking to make sure we're value-added
 - > Small dollar study March 1999 (short term)

Data Source: Unit B Const management system (ongoing)

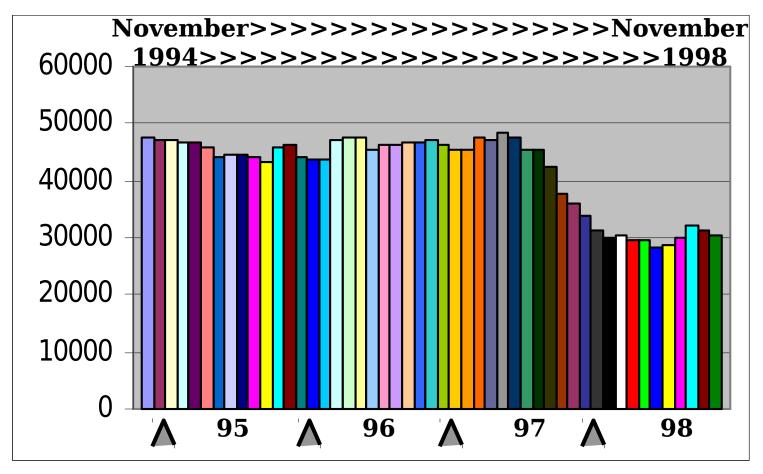


Corporate contracts:
Increased the volume of small dollar contracts

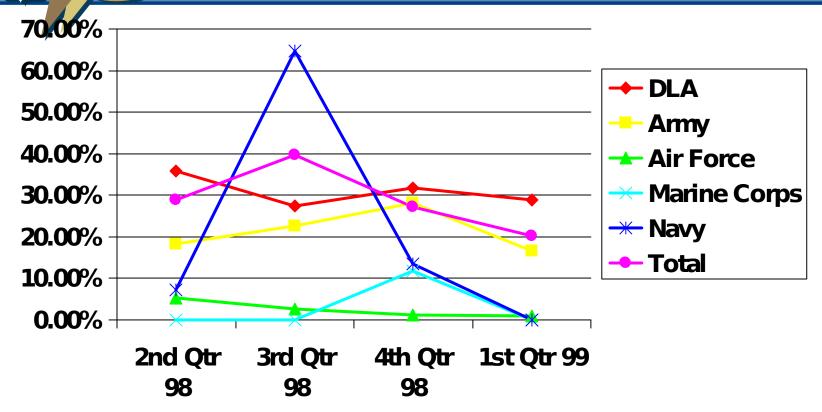
- Overall DCMC administered contracts declined steadily since August 1997
- Small dollar contracts, less than \$2,500, administered by DCMC
 - Declined steadily 4QFY97 through 1QFY98
 - > Stable, no upward/downward trend, since 2QFY98
- Data does not support the perception that small dollar contract volume has increased



DCMC Contracts \$2.5k & Less



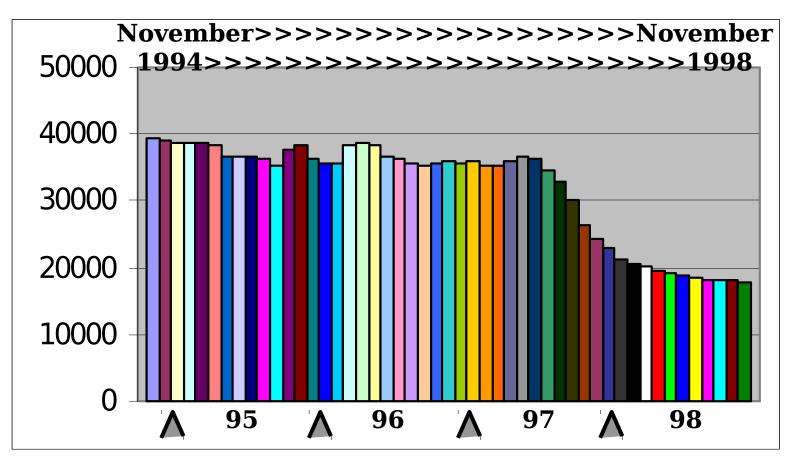




Qtr FY99	2nd Qtr FY98	3rd Qtr	FY984th Qtr F	Y98 1st
Army USAF Navy Marines	18.2 5.3 7.3 0	22.6 2.6 64.6	$egin{array}{c} 28.1 \\ 1.3 \\ 13.5 \\ 0 \end{array}$	16.6 0.9 0 11.8
DLA	0 35.9	27.5	31.7	28.9



DCMC GSI Contracts \$2.5k & Less



Data Sources: DORRA MOCAS Archives 11/94 - 11/98



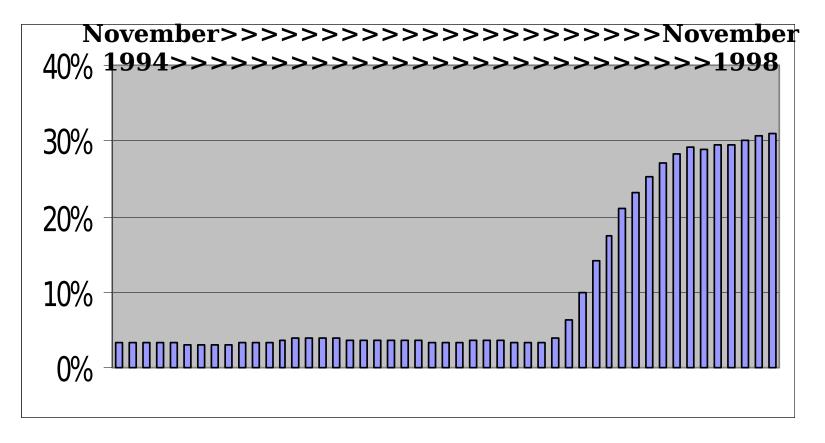
DCMC is abandoning Source Inspection

- ➤ NO! But we do want to make sure it's value added
 - Costs us about \$114 per small contract
- Supplier excellence in lieu of supply management
- > Using proactive approaches to surveillance
 - Risk management cost, schedule & performance
- Pushing increased reliance on good contractors
 - > Contractor self oversight
 - > Certificates of conformance
- Looking for other ways to engage
 - > By supplier vice contract

Supplier Excellenc**e**



DCMC ODO Percentages



Oata Sources: DORRA MOCAS Archives 11/94 - 11/98



DFAS Columbus Invoice Payments Too

DFAS Payments/MOCAS Charges

> FY99 Electronic \$101.68

Other \$117.25

> FY98 \$90.76

> ODO Payments/SAMMS Charges • Most DLA contracts are ODOs

Electronic \$7.23 **≻ FY99**

Paper \$10.40

> FY98 \$13.51 This is wh we did it to save you money - started

ODO = Pávment from SAMMS vice **MOCAS**

•ODO Contracts around 30% (of

total DCMe



Technical Operations in Transition -

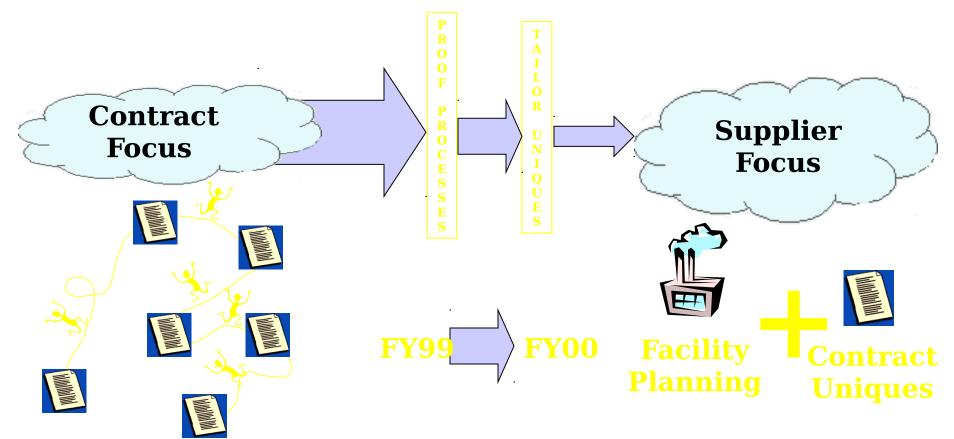
DCMC Meeting The Challenge

>TOOLS TO MANAGE

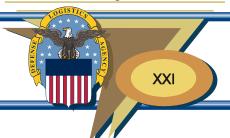
- Production Management
- > Small \$\$\$
- **Engineering**
- **>** Quality Assurance



ACCELERATE ACQUISITION REFORM BY APPLYING COMMERCIAL PROCESSES AND PRACTICES



Impact - Workforce Re-ed



Right Time Metrics (1.1.2/1.1.3) How Do You Rate?

- For On-time delivery rates (1.1.2) use: "On_time2.imr" for detailed CAO data
 - "Ot_sum.imr" for summary rates of all CAOs
- For number of delinquencies (1.1.3) use:

"Del_cnt.imr" for detailed CAO data

"Del_sum.imr" for summary rates of all CAOs

For FY 99 trend data of all CAOs, download from: www.dcmc.hq.dla.mil/teaminfo/aqog/initiati.htm

^{*} Imr files can be downloaded from ftp://160.147.213.30/metrics/reports ** Handouts provided



Measuring Delivery Performage alled "On_time2.imr" Impromptu Query

QUERY SUMMARY

ON TIME DELIVERY RATE (METRIC 3.7.1)

Delinquent Schedules: 1340

FY 99 BUSINESS PLAN TASK 1.1.2

Schedules Due: On-Time Rate:

2660 49.62% CAO: WB

Report Date: 12/14/98

Report: UMMYFILESIDIRAMSIREPORTSIMPOSIO

Contract Number	CLIN	Delivery	Delivery	Scheduled	Delqt Count	CAR	IS/CMA	ACO
		Schedule	Schedule	Quantity	1= Diqt	Sec	CODE	CODE
	1	Date	Duantite	Shinned	O= Not Diat			

CAGE: 001A6 TRITON SERVICES INC

N0001496D2013 0002	0002	10/9/98	2	0	1	1	KJD	KJA
N0017497D0010 0005	0001	10/30/98	1	0	1	1	KJD	KJA
N0017497D0010 0005	1423DD	10/30/98	1	0	1	1	KJD	KJA

Schedules Due: 3

Schedules Delinquent: 3

On-Time Rate: 0.00%

CAGE: 00997 SCANDIA MEGICO

	VL. 0	000, 00						
N0010496CFA63	0001AA	10/31/98	2	0	1	1	KBJ	KBC
N0010498PFE81	0001AA	10/28/98	1	0	0	2	KBJ	KBC
N0010498PFF64	0001AB	10/30/98	1	0	1	1	KBJ	KBC
N0010498PFH72	0001AA	10/13/98	7	7	0	2	KBJ	KBC
N0010498PFJ75	1423DD	10/1/98	1	0	1	1	KBJ	KBC
N0010498PFJ75	A002	10/1/98	2	0	1	1	KBJ	KBC
N0010498PFJ75	A003	10/1/98	2	0	1	1	KBJ	KBC
N0010499PFA27	1423DD	10/21/98	1	0	1	1	KBJ	KBC
N0010499PFA27	A002	10/21/98	2	0	1	1	KBJ	KBC
N6660497C1982	0001	10/4/98	4	4	0	1	KBJ	KBC
N6660497C1982	0004	10/4/98	2	0	1	1	KBJ	KBC
N6660497C1982	0016	10/4/98	16	16	0	1	KBJ	KBC
N6660497C1982	1423DD	10/4/98	1	0	1	1	KBJ	KBC
SP074098M8450	0001	10/20/98	23	23	0	2	KBJ	KBC

Schedules Due: 14

Schedules Delinquent: 9

On-Time Rate: 35.71%



Measuring Delivery Perfarmsungmary "OT_SUM" Impromptu Query

DCMC On Time Deliveries Business Plan Task 1.1.2; Metric 3.7.1

REPORT PERIOD: 1998-11-01THRU 1998-11-30

Report Date: 1998-12-14

Report: UMMYFILESIDIRAMSIREPORTSIMPOSIOT_SUM.IMR

DISTRICT: EAST	Schedules	Schedules Delinauen	On Time Rate
DCMC ALLIED SIGNAL	58	19	37.24%
DCMC ALLISON ENGINE	96	42	56.25%
DCMC APMO/AIRCRAFT PMG MGMT	8	8	3.00%
DCMC ATLANTA	3602	1477	59.00%
DCMC BALTIMORE (VA)	7252	4554	37.20%
DCMC BALTIMORE-D.C. MD	1558	818	47.50%
DCMC BIRMINGHAM	1451	830	42.80%
DCMC BOEING HELICOPTERS	214	96	55.14%
DCMC BOSTON	1698	1198	29.45%
DCMC BOSTON-MANCHESTER	407	214	47.42%
DCMC CLEARWATER	499	130	73.95%
DCMC CLEVELAND	3561	2135	40.04%
DCMC DAYTON	1339	637	52.43%
DCMC DETROIT	726	357	50.83%
DCMC GE AIRCRAFT ENGINES-EVAND/	238	41	32.77%
DCMC GE LYNN	260	84	37.69%



Alerts Metrics Cube Development Status

Goal 1.1.8 - FY99 CPSS Response Timeliness 95%

- Powerplay Cube Currently being field tested
 - > Allows Easing Monitoring

Goal 1.1.4 - FY00 Delay Notice coverage, timeliness, and accuracy

Powerplay Cube Early Development



Increased DCMC Costs for ODO Contracts

- Supposed to enter MOCAS automatically
 - > Mucho problems, so manual input
 - Fixes in works
- Used to close automatically
 - > DFAS wouldn't permit, so manual close out
 - > Fixes in works
- Hence increased costs for us
- > Bottom line: Most cost is input and closeout !!
 - ➤ Question: Is it value added?
- Impact to be assessed during site visits March 1999



DCMC DLSC Purchase Card Test

- > DLSC: DISC, DSCC, DSCR
- DCMC: Baltimore/Manassas, Bell Helicopter & South Bend
- > Three test contracts w/ 5,057 delivery orders
- Current status
 - ✓ Total shipments 10,900
 - ✓ Total payments to contractors approximately \$39M
- > Test successes
 - ✓ 100% On time delivery
 - ✓ 99.6% of contractor payments 3 days or less
- Military services interested in duplicating to



Small Dollar Contracts Have Too Many Pages

- Length of purchase orders causes input inefficiencies
- > Joint DLSC/DCMC IPT is addressing issue
- Estimated completion date March 1999
 - Planned solution: increase use of clauses incorporated by reference
 - Now developing website for full text of clauses
 - > Illustrates successful DLSC/DCMC teaming



Technical Operations in Transition -

DCMCMReeting The Challenge Driving down the number of contracts

- Numbers of contracts (including small \$) administered by DCMC are declining
 - **► MRM 10** is contributing factor
- Increased flexibilities worked
 - FAR being changed to give PCOs more flexibility in QA efforts (deviations out already)
 - PCOs changing designations as appropriate
- Source inspection the #1 reason for giving contracts to DCMC
- MRM 10 question: Is source inspection really necessary? Especially on small contracts?

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Technical Operations in Transition -

DCMC Meeting The Challenge MRM 10 Impact and DLSC

- Reviewed 413,290 NSNs with source inspection
- Changed 147,611 / 35.7%
- But some DLSC changed parts are reverting back
 - > FMS designations
 - ✓ Confusion concerning FOB and GSI
 - Contract kinds and duration
 - **∠** BOAs and long term contracts
 - Contractor requests
- Data Source: DLSC Provided 10FY99 guidance to PCOs



INVESTMENT GOAL 2.2.4

- ➤ Develop a strategy to meet overall MRM #10 directives and projected resource reductions using available options
- > Develop action plans for strategy implementation
 - 60 day plan
 - 180 day plan



Technical Operations in Transition of the Challenge DCMC Meeting The Challenge

AVAILABLE TOOLS/OPTIONS

- Contractor Self Oversight (CSO)
- Alternative Release Procedures (A
- Certificate of Conformance (CoC)
- Direct Vendor Delivery (DVD)
- Contractor Risk Assessment
- > Combinations Listed



IMPLEMENTATION STRATEGY

- Reduce source inspection at all contractors to value-added activities only
- ➤ Use the available options to the maximum reasonable extent
- Piggy-back on prime contractor supplier quality management when cost effective



TEAM STRATEGIES

- > Team use a parallel approach based on specific contractor selection criteria
 - ➤ Focus on larger contractors. It offers a better return for time invested
 - ➤ Identify smaller, more commercially

arianted contractors. It offers



CONTRACTOR SELECTION CRITERIA

- Multiple programs
- > Single commodity producer
- > Commercial commodity producer
- Non-complex product lines
- Low contract volume, non-critical items
- Certificate of Conformance clause
- Low risk ratings



DEFINE SUCCESS

Success is realized when all Teams are performing proficiently and all contractors assigned to the DCMC CAO are producing quality products with the minimal amount of Government effort



DEFINE SUCCESS

- > Establish internal goals
 - 2 reductions in 60 days (stretch go
 - 10 reductions in 180 days (stretch
 - 20 reductions in 360 days (stretch



TEAM NORTH - ACTION PLAN

Profile Contractor Base

Contractor	PBAM Rating	Second Party	Third Party	SOQ	CSO	ARP	DVD	CoC
1. ABC CORP	L	Boeing-D1 9000	ISO 9001-X	Χ	Χ			
2. DEF CORP	L	FAA	AS 9000-X	Χ	Χ			
3. GHP CORP	L			Χ				X

Product & Manufacturing Assurance Risk

Contractor	Quality Req Risk	Product Risk	Process Risk	Quality History
1. ABC CORP	L	L	L	Excellent history; Gold supplier; Mature
2. MCP CORP	L	L	L	Distributor; commercial

Tracking Actions

60 Days 180 Days360 Days

Contractor	Start	Comp	Start	Comp	Start	Comp	Options Selected	Rationale
1	Х					Χ	CSO	excellent history; MOA
2	Х	Χ					CoC	Non-complex; excellent history



CHARGING - FIRST STEPS

- GET ALL EMPLOYEES INVOLVED
- Gap Analysis
 - Baseline options with data
- MRM # 10 Focusing Project
 - Teams seek out every opportunity
 - Improve risk analysis in during contra
- Training as necessary Data Analysis



- QUALITY ASSURANCE
 - RIGHT ITEM
 - •FY 00 new metric linked to contractor management data base
 - STATISTICAL GUIDE
 - •SURVEILLANCE PLAN GUIDEBOOK
 - •PERFORMANCE BASED BUSINESS ENVIRONMENT GUIDE

ALL ON TEAM PAGE



GOOD NEWS - Product & Manufacturing Assurance Training

- Training developed to assure One Book cand reduce IOA findings.
- Two training packages IS and QA.
- •Courses fine-tuned and SFAs trained the v January 25.
- Training mandatory for CAO specialists <u>ar</u> leaders.
- Training commenced week of February 8.
- •Goal complete by August 31, 1999.



SFA - TOOL BOX

HOME PAGE



Engineering Workshops Planned FY99

- Materials Being Prepared
- Will Clarify Expectation from Engineers
- ONEBOOK Updates Required
- New Performance Measures
- Update IOA Review Check List



SOFTWARE CENTER - 1-888- 616-7598

- Software Professional Estimation & Collection System (SPECS) - Down Load from Homepage Version 2.0
- Elimination Of Time Requirement Of 51% Commitment
- ➤ 18 Minute Video Overview for Managers Replaces M32A
 - Copies In-process of being Distributed To CAOs





WE'RE MOVING FROM

TASK ORIENTATION

To

PERFORMANCE FOCUS

STANDARD PROCESS (SAME PROCESS FOR EVERYBODY)

To

(RISK BASED FOCUS)

(TAILOR PROCESS TO RISK)

The Future is *Experience-based Judg*The Future is *NOW* !!!